The Strategic Future Of Global Mobility

As we come towards what we hope is at least the beginning of the end of the COVID-19 pandemic, it seems a good time to reflect on what the future holds for global mobility. Arguably the pandemic has already resulted in a revolution for flexible/remote employee working, although it remains to be seen whether this will be truly transformational in the long-term or if old habits will die hard. What is clear, though, is the critical function that many Global Mobility teams have performed during a time of great disruption and uncertainty for employers and employees. We consider in this article some of the opportunities and challenges that this could present.

Many organisations have been forced to very quickly adopt remote and virtual working arrangements, not just for the immediate but also possibly longer-term. This has not been easy to navigate and requires careful planning. Arguably Global Mobility teams are one of the most experienced in-house functions to assist in dealing with this, given their experience working in a fast-paced and often unpredictable environment, familiarity with the potential implications of employees working in alternative locations and awareness of the key risks and concerns that will arise. It has also become a matter of interest at the highest levels of companies as to what the future of work will look like, both domestically and internationally. Many recent surveys show that employers expect business travel to increase significantly (reaching pre-pandemic levels by 2025) and a number of high-profile companies have announced 'work from anywhere' policies for their employees. Flexibility in ways of working has pros and cons – it is both good and bad news in the war for talent, it is potentially a good thing for environmental and diversity agendas, and represents many significant compliance and tax risks for employers. This presents a real opportunity to Global Mobility teams to secure the 'seat at the table' that many have been striving to achieve, some with more success than others, for many years.

Recent times have shown that alignment of business functions with key business priorities has resulted in a significant profile boost, and a recognition of value and contribution. So, what are some other areas where Global Mobility could contribute to a broader agenda?

> So, what are some other areas where Global Mobility could contribute to a broader agenda?

Global Mobility And The ESG Agenda

The ESG (Environmental, Social and Governance) or 'sustainability' agenda has rocketed up the priority list of many businesses in recent years, driven by a mixture of internal and external pressures from employees, shareholders and wider public perceptions. Increasingly, businesses are expected to move ESG to the core of their business purpose and strategy, to 'do the right thing' without compromising on employee or shareholder returns. Global Mobility can (and should) play a part in supporting this agenda.

The 'E' for Environmental: Clearly, international mobility is a factor in environmental concerns for businesses, with business travel inevitably contributing significantly to their overall carbon footprint. One argument suggests that in this new world of home-working and video calls, business travel is no longer necessary. However many surveys have indicated that businesses do expect international mobility to continue to play a key role in the way that their employees perform their jobs, and there is genuine value associated with employees being 'on the ground' on location for their visits. Indeed some jobs require physical presence such as building a new data centre or port. The pandemic has also shown us that people inherently like mixing with people and this was what most have missed! Instead of simply cutting business travel, what are some alternatives that could be considered to mitigate the environmental impact of international mobility? :

- Alternative modes of transport that are more carbon efficient (e.g. trains rather than planes)
- Consider short-term assignments or permanent transfers rather than frequent business travel or commuting arrangements
- Keep some virtual meetings and supplement with fewer physical short term business visits
- Mitigate carbon impact of shipping goods etc., by utilising shared containers for multiple moves – and hire or buy goods locally to minimise shipping
- Utilise data analytics to monitor travel data and carbon 'costs' to understand key sources and consider possible mitigations
- Empower employees to make sustainable choices based on information made available to them, e.g. the carbon emissions associated with different travel options
- Carbon offsets.

The 'S' for Social: Another key element of the ESG agenda is diversity, equality and inclusion ('DE&I'), falling under the 'social' aspect. There have been many recent articles published extolling the virtues of DE&I in Global Mobility programmes, although our conversations with 'real' businesses tell us that many are not as far along in this journey as these articles might suggest. Mobility teams should not be discouraged by the challenge that this presents, and instead see each action as a step in the right direction. Some thoughts on how to get started:

- Ensure Global Mobility team members have received DE&I training
- Consider how organisational DE&I initiatives could be formally integrated into Mobility programmes (e.g. targets for representation)
- Tracking data on demographics in mobility
- Review your candidate pools for mobility – are they diverse, and in what ways? Do you understand who in your business would be willing to take on international assignments – are they asked, or are they profiled?
- Consider options for increasing flexibility

in mobility policies to make them more attractive to different groups (e.g. additional childcare support for families, live-in partners receiving the same benefits as married couples, sustainable transport options etc.)

- Introduce requirements for diverse candidate lists for international roles (e.g. 50/50 gender split)
- Do your homework – certain locations are (unfortunately) simply not always suitable for some individuals and they would not thank you later for sending them.

If you have not reviewed the profile of your internationally mobile employee population, that would be a good place to start. Talk to your employees – if they feel that they don't want to go on an assignment, why not? Are there barriers there that you could help to lower? Are these consistent within different demographics of employees, and could flexing your policy unlock a new group of international talent?

The 'G' for Governance: businesses are increasingly adopting and articulating clear tax principles, aligned to their broader ESG agenda. This is a critical element in providing them with their 'social licence' to operate, which is ever more important to shareholders, investors and wider communities.

In the UK, for financial years starting from September 2016, businesses with a turnover above £200m or a balance sheet above £2 billion have had to publish their tax strategy. Tax is a key ESG metric: external stakeholders are interested in a business's tax behaviours and evidence of the level of tax responsibility it adopts in terms of aggressive tax strategies as well as the level of economic contribution the business makes to society. In response, many businesses are signing up to increasing transparency standards and, more importantly in most cases, following them.

The financial turmoil arising from the COVID-19 pandemic is the latest catalyst which is driving a heightened level of government and public attention. Paying the 'right amount of tax' and 'doing the right thing financially' is very much headline news once more. Boards of Directors are increasingly seeking to implement a culture of no surprises within their organisations when it comes to tax risk, and many multinationals are reporting concerns about meeting increased tax regulatory requirements. Not being aware if adverse media attention is around the corner is an increasing risk, one that is only heightened in the wake of the pandemic.

Global Mobility plays an important role in international tax compliance, ensuring that assignments are planned in a tax compliant manner whilst remaining as tax efficient as possible utilising suitable domestic tax reliefs and regimes. Consideration must also be given to transfer pricing requirements for potential cost recharges in relation to business travel, recognising the value of services performed by an overseas employee to the host country business where appropriate. In turn this may create local income tax obligations for the employee (and employer, for withholding tax purposes) due to relief under a Double Taxation Agreement no longer being available where there is a recharge of costs to the host country entity. There is rarely a justification for no taxes at all to be paid in a host location, unless the duties performed are merely incidental in nature. Where the duties are more substantive, there are two possible interpretations, either (i) the employee is performing their role on behalf of the home country entity whilst in the host country, in which case they may present a Permanent Establishment risk in the host location but income tax exemption may be available under a treaty, or (ii) the employee is performing their role on behalf of the host country entity whilst in the host country, in which case transfer pricing rules may dictate that there should be a cost recharge from the home to the host location and while this is likely to mitigate Permanent Establishment risks it may, as noted above, result in an Income Tax liability due to treaty exemption not being available.

> Similar country specific rules, coupled with the bad publicity associated with failing to pay taxes, can significantly affect a company's reputation and their share price

The introduction of the Base Erosion and Profit Shifting (BEPS) regime requires that Country by Country Reporting (CbCR) is filed annually, collecting standardised data on where profit, tax, and economic activity is occurring at a global level. In addition to corporate tax and transfer pricing data, CbCR also requires that the Company declares the number of employees on a full-time equivalent basis in all locations around the world. This therefore requires coordination between HR and Mobility functions with internal Corporate Tax and Transfer Pricing teams to ensure proper reporting, and related points for internationally mobile employees may impact the reporting of revenues and functions in the template. Central teams will need to ensure that they have consistent data available mapping the locations of their international employees, and their functions/roles, and a centralised approach to determine the appropriate reporting location for full-time domestic employees versus short and long-term assignees and business travellers. The reporting should usually be based on whether employees are economically employed rather than where they are legally employed. HR and Global Mobility teams should review the processes that they have in place to track groups of employees.

Again, legislation has been introduced to encourage compliance with tax rules. For example in the UK, Senior Accounting Officer (SAO) rules were introduced in 2009 and these seek to ensure that the nominated SAO official in a large company takes reasonable steps to ensure the company establishes and maintains appropriate tax accounting arrangements. Personal penalties can apply for failures. Additionally, the Criminal Corporate Offences (CCO) Act was introduced in 2017. It created two corporate offences, one relating to the evasion of UK tax and one relating to the evasion of foreign tax. The legislation is very widely drawn and can apply to the evasion of any tax, including indirect and employment taxes, anywhere in the world. Any UK business, be it a UK corporate or a foreign corporate doing business in the UK, will be within the scope of both offences. The corporate or partnership will have a strict liability under criminal law for failing to prevent the facilitation of tax evasion by one of its associates (employee, contractor or any other person providing services for or on behalf of the corporate). A defence exists of having 'reasonable prevention procedures' in place.

Similar country specific rules, coupled with the bad publicity associated with failing to pay taxes, can significantly affect a company's reputation and their share price. The real cost to a business or individual of failing to comply can be significantly more than the tax in question.

HR and Global Mobility teams should be well placed to assist companies with all international employees and cross border working arrangements/processes that they have in place to track groups of employees and ensure that any applicable taxes are being properly calculated and paid in all relevant locations.

Measuring Success In Global Mobility

Another important way that GM teams can increase their profile and transform their role from that of a support function to a more strategic influencer in the business is to be able to articulate and demonstrate the value that they bring to the business. We often hear references to 'Return on Investment' meaning a measurement of the efficiency of an investment; in simple terms, what are the benefits relative to the costs involved? This is an area where Global Mobility can struggle, because while the costs (which are not insignificant) are relatively straightforward to determine, the benefits are frequently less tangible and much longer-term than immediate financial measures, such as the stock price.

An alternative phrase to consider what the business is really looking for, rather than a return on investment, is a 'return on expectation'. What is the business hoping to achieve through the move? What does the individual want to get from the experience and what comes afterwards? Were the financial costs broadly at the level anticipated? We still see that a surprising number of companies do not budget comprehensively in advance for the costs associated with international moves, including relocation costs, assignment benefits and tax and social security costs. In that circumstance separate business units can be surprised at the scale of costs associated with the moves after the event which, rightly or wrongly, can tarnish their view of the value of global mobility to them. However, with upfront planning and clear expectations for all stakeholders involved, this issue can be easily averted. Cost projections can be prepared for various different scenarios, whether rough and ready estimates or more detailed calculations, factoring in home and host tax and social security costs and benefits depending on the policy applying, and facilitating comparisons between different options (e.g. assignment versus local transfers, or different possible host locations).

As already noted, the benefits of global mobility and international assignments are often difficult to quantify and will not necessarily become entirely clear in the couple of months (or even years!) after the end of the assignment. Although there may be some people or organisations out there who claim to have a magic formula to calculate a numerical return on investment for global mobility, this may simply be an unrealistic aim. In speaking to many different clients and organisations over many years, what becomes clear is that no one yet (despite potential claims to the contrary) has the perfect answer to this very difficult question. Rather than letting that put you off altogether, we would suggest that you consider focusing on some areas that are relatively easy to track but that should still give you some valuable insights. For example, do you currently track or record:

- The attrition rate of your employees who have been on international assignments versus your business average – and for how long do you track after an assignment has ended?
- Do HR leavers' meetings capture issues specific to mobile employees, for example, any concerns about re-integration, post-assignment career expectations etc?
- The proportion of your leadership team who have undertaken international assignments during their career?
- The rate of career progression of employees who have been on international assignments; does this track above or below the rate of your domestic employees, or is there no difference?
- The number of 'failed' assignments (e.g. those that might be terminated earlier than expected) and the reasons why?
- Actual costs versus budgeted costs, why they varied and how to spend/invest more efficiently for future moves.

Aligning Global Mobility With Talent Management

Talent management is a huge focus of HR teams in companies around the world – how do they best plan and deploy their workforce to deliver on business aims; how do they attract, retain and develop the best talent in the market? International HR professionals will recognise how these aims overlap with global mobility, but there is still a lot more that could be achieved through closer alignment of GM and broader Talent Management teams.

We often hear now about a 'war for talent' in many different industries on both a local and global level. International HR and GM teams are well-placed to understand considerations of local and international talent and the potential to deploy resources from around the world to supplement or fill gaps in local capabilities. The mapping of your international talent and experience is a challenging but potentially important step to take.

Linking in to the above point about career progression and whether international assignments are seen as an almost critical part of employee development to reach the most senior levels of the organisation, is this a planned part of talent management and is this coordinated with the GM team? Does the business identify talented employees and start planning early for potential assignment opportunities? Do you maintain a candidate pool for possible international assignments and, even more fundamentally, do you know which employees would want, or would be willing, to accept an international assignment? These are all important questions that you can start to ask in your organisation to start moving your global mobility efforts in a more strategic direction.

Summary

Global mobility is often almost overwhelmed dealing with operational issues and is pulled in many different directions by various stakeholders, within the business and with external vendors. This is unlikely to change overnight. However, it is our view that GM teams can start or should continue to take steps towards building their profile within their organisations and present themselves as strategic partners who can use their extensive skills to help meet the business's wider objectives, through deploying the right talent at the right times, actively supporting the organisation in its efforts to put ESG at the centre of its corporate agenda, and using data to tell a story about the value they bring to the business.

ANDREW BAILEY

Andrew Bailey is head of Global Employer Services at BDO LLP. He has over 30 years' experience in the field of expatriate taxation. Andrew is indebted to Steph Carr for her major contribution to this article. BDO is able to provide global assistance for all your international assignments. If you would like to discuss any of the issues raised in this article or any other expatriate matters, please do not hesitate to contact Andrew Bailey on +44 (0) 20 7893 2946, email Andrew.bailey@bdo.co.uk